

### Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	36.75	0.00	7.00	43.75	0.00	7.00	43.75	43.75
Personal Services	2,618,625	(572,292)	371,911	2,418,244	(572,143)	331,201	2,377,683	4,795,927
Operating Expenses	852,235	11,439	3,496	867,170	12,242	4,939,841	5,804,318	6,671,488
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	0	0	8,000,000	8,000,000	0	18,870,000	18,870,000	26,870,000
Transfers	0	0	0	0	0	0	0	0
Debt Service	8,282	0	4,560	12,842	0	4,560	12,842	25,684
<b>Total Costs</b>	<b>\$3,479,142</b>	<b>(\$560,853)</b>	<b>\$8,379,967</b>	<b>\$11,298,256</b>	<b>(\$559,901)</b>	<b>\$24,145,602</b>	<b>\$27,064,843</b>	<b>\$38,363,099</b>
General Fund	1,438,349	(259,731)	201,871	1,380,489	(256,752)	(350,287)	831,310	2,211,799
State/Other Special	290,435	(42,344)	6,993,133	7,241,224	(42,085)	8,843,123	9,091,473	16,332,697
Federal Special	1,750,358	(258,778)	1,184,963	2,676,543	(261,064)	15,652,766	17,142,060	19,818,603
<b>Total Funds</b>	<b>\$3,479,142</b>	<b>(\$560,853)</b>	<b>\$8,379,967</b>	<b>\$11,298,256</b>	<b>(\$559,901)</b>	<b>\$24,145,602</b>	<b>\$27,064,843</b>	<b>\$38,363,099</b>

### Page Reference

Legislative Budget Analysis, B-69

### Funding

The Director's Office is funded by a combination of general fund, state special revenue, and federal special revenue. The majority of the functions are cost allocated through a complex plan approved by federal oversight agencies.

### Program Narrative

There are several significant changes included in the Director's Office appropriation that will be distributed to other divisions within DPHHS. These items are:

- A reduction of \$0.5 million general fund in FY 2007 due to anticipated efficiencies and cost savings in Medicaid programs across the department due to increased funding for management staff, including 1.00 FTE in the Director's Office to enhance federal Medicaid pass through reimbursement for Indian Health Services, community services, and flexible funding for innovative services for seriously emotionally disturbed children
- An increase of \$14 million in federal funds in FY 2007 for a major component of the Medicaid redesign initiative (the Health and Insurance Flexibility and Accountability – HIFA – waiver discussed in the agency overview)
- An increase of \$1 million in federal authority each year of the biennium for “refinancing” efforts to increase federal reimbursement to offset general fund costs in other programs, most notably the Disability Services Division
- An increase of \$0.1 million in state special revenue to implement a waiver to collect co-payments from higher income families of children in Medicaid waiver services due to disregarding family income and assets in Medicaid eligibility determination

The legislature also transferred appropriations and funding for 6.00 FTE to incorporate a minor reorganization made by the department after the executive budget was final. The budget function was moved from the Operations and Technology Division to the Director's Office, resulting in no net change to either funding or FTE levels within the department.

If the major changes, including the reorganization, are netted out, the 2007 biennium appropriation for the Director's Office closely resembles funding and FTE levels in the base budget year.

State special revenue supporting the Director's Office is from two sources – cost allocation, which is the most significant, and community cost share for VISTA volunteers. The Office of Prevention Resources administers the VISTA program, which is also supported by a federal grant.

General fund supports 41 percent of the Director's Office base budget. The total general fund appropriated in FY 2007 is slightly less than base budget funding despite the increase due to the reorganization of the budget unit, due to removal of termination payouts in the base budget.

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006					Fiscal 2007					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				(445,490)					(445,211)	
Vacancy Savings				(86,925)					(86,935)	
Inflation/Deflation				(600)					(579)	
Fixed Costs				12,039					12,821	
<b>Total Statewide Present Law Adjustments</b>				<b>(\$520,976)</b>					<b>(\$519,904)</b>	
DP 9900 - Maintain Administrative Cost Mix at FY 2004 Level	0.00	(12,675)	0	12,675	0	0.00	(12,686)	0	12,686	0
DP 9999 - Statewide FTE Reduction	0.00	(19,532)	(215)	(20,130)	(39,877)	0.00	(19,591)	(216)	(20,190)	(39,997)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>(\$32,207)</b>	<b>(\$215)</b>	<b>(\$7,455)</b>	<b>(\$39,877)</b>	<b>0.00</b>	<b>(\$32,277)</b>	<b>(\$216)</b>	<b>(\$7,504)</b>	<b>(\$39,997)</b>
<b>Grand Total All Present Law Adjustments</b>				<b>(\$560,853)</b>					<b>(\$559,901)</b>	

Statewide present law adjustments for this program show a significant reduction compared to base budget expenditures. Termination payouts for all of DPHHS are recorded in the personnel unit of the Director's Office and divisions with terminations transfer funds to cover the payouts. FY 2004 base budget termination payouts of about \$834,000 were removed, causing the statewide present law adjustments to net to a negative \$0.5 million annually. About 41 percent of those costs would be funded from the general fund.

DP 9900 - Maintain Administrative Cost Mix at FY 2004 Level - The legislature removed \$25,361 general fund from the Director's Office 2007 biennium budget request and raised with federal funds by a like amount. This action maintains the 2007 biennium funding mix at the base level funding mix.

DP 9999 - Statewide FTE Reduction - DP 9999 - Statewide FTE Reduction - The legislature accepted the executive recommendation to reduce personal services general fund equal to the across-the-board personal services reduction that was made for the 2005 biennium by the 2003 Legislature. The funding reduction is equivalent to 0.75 FTE and has the effect of increasing vacancy savings.

## New Proposals

New Proposals											
Program	FTE	Fiscal 2006				Fiscal 2007					Total Funds
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 149 - Federal Authority to Refinance DD Services											
04	0.00	0	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 188 - HIFA Waiver											
04	0.00	0	0	0	0	0	0.00	0	0	14,520,000	14,520,000
DP 189 - Waiver of Deeming (Requires Legislation)											
04	0.00	0	0	0	0	0	0.00	0	100,000	0	100,000
DP 702 - Move Budget Management to the Director's Office											
04	6.00	163,546	9,399	203,022	375,967	6.00	163,387	9,390	202,825	375,602	
DP 3202 - Prescription Drug Program -- SB 324											
04	0.00	0	7,000,000	0	7,000,000	0.00	0	8,750,000	0	8,750,000	
DP 3420 - Funding for the Prevention Resource Center											
04	0.00	23,472	(9,985)	(13,487)	0	0.00	23,472	(9,985)	(13,487)	0	
DP 3602 - Tribal Programs											
04	1.00	52,000	0	52,000	104,000	1.00	0	0	0	0	
DP 3621 - Remove \$100,000 from Director's Office											
04	0.00	(37,147)	(6,281)	(56,572)	(100,000)	0.00	(37,146)	(6,282)	(56,572)	(100,000)	
DP 9901 - Reduction for Medicaid Cost Efficiencies											
04	0.00	0	0	0	0	0.00	(500,000)	0	0	(500,000)	
<b>Total</b>	<b>7.00</b>	<b>\$201,871</b>	<b>\$6,993,133</b>	<b>\$1,184,963</b>	<b>\$8,379,967</b>	<b>7.00</b>	<b>(\$350,287)</b>	<b>\$8,843,123</b>	<b>\$15,652,766</b>	<b>\$24,145,602</b>	

DP 149 - Federal Authority to Refinance DD Services - The legislature approved \$1 million in federal appropriation authority each year of the biennium to "refinance" general fund program costs either fully or partially with federal funds. The executive budget originally included this request in the Disability Services Division budget. However, the legislature approved and moved the request to the Director's Office so that it could be managed by and coordinated with other department refinancing efforts.

DP 188 - HIFA Waiver - The legislature approved the executive request for federal authority to pursue a HIFA waiver, which is discussed as part of Medicaid redesign in the agency overview.

DP 189 - Waiver of Deeming (Requires Legislation) - The legislature approved \$100,000 of state special revenue for the waiver of deeming proposal. This type of waiver allows DPHHS to exclude parental income and assets in determination of a child's eligibility for Medicaid. DPHHS already administers two such waivers for physically disabled and developmentally disabled children. Approval of this appropriation allows DPHHS to create a third waiver for children with a serious emotional disturbance or mental illness to become Medicaid eligible without consideration of parental income. These waivers also provide services that are not a normal part of the Medicaid program.

As part of this proposal, DPHHS will request waiver authority to collect co-payments for all children in Medicaid waiver services based on the family ability to pay, with co-payments required for families with incomes above 400 percent of the federal poverty level (\$77,400 for a family of four, based on the 2005 poverty level). Co-payments collected for services will be used to support the state match for waivers.

DP 702 - Move Budget Management to the Director's Office - This decision package reflects a minor reorganization undertaken by the department that moves the internal budget management function from the Operations and Technology Division to the Director's Office

DP 3202 - Prescription Drug Program -- SB 324 - The legislature approved \$15.75 million tobacco tax state special revenue over the biennium for a prescription drug program, as well as other programs and provider rate increases, referred to in 53-6-1201, MCA (enacted through Initiative 149), and funded through increased tobacco taxes. Total appropriations from I-149 are discussed in greater detail in the agency narrative, including the prescription drug program.

DP 3420 - Funding for the Prevention Resource Center - The legislature accepted the executive request to add \$46,944 general fund over the biennium to continue the Prevention Resource Center, which manages the state VISTA volunteer program. Federal funding from the VISTA grant may no longer be used to support administrative costs. This funding switch allowed continuation of the program at its current level.

DP 3602 - Tribal Programs - The legislature added \$52,000 general fund and a like amount of federal matching funds over the biennium to fund a new FTE. The legislature added language requiring the department to provide a report in the functions and activities of the FTE, and restricted the appropriation for tribal programs, and expects the following outcomes:

- Develop expertise on tribal organization and tribal funding and to provide technical assistance to state staff
- Identify and resolve barriers and work on innovative programs for tribes to access federal Medicaid pass-through funding for allowable costs

DP 3621 - Remove \$100,000 from Director's Office - The legislature removed \$100,000 annually from the Director's Office budget. The general fund reduction is \$74,293 over the biennium. State special revenue was reduced \$12,563, and federal funds were reduced \$113,134. The legislature removed funding to support a second deputy director position.

DP 9901 - Reduction for Medicaid Cost Efficiencies - The legislature reduced general fund by \$500,000 in FY 2007. The reduction is anticipated due to several funding increases added by the legislature at its own initiative as well as executive requests that the legislature approved. The general fund reduction can be allocated across Medicaid programs and services when the department develops the 2007 biennium operating plans.

The specific proposals that the legislature believes will reduce costs while enhancing access to and quality of care are funding for:

- Staff to work with Tribes to ensure federal reimbursement for allowable Medicaid services provided by Indian Health Services providers
- Medicaid management staff to pursue innovative proposals, such as waiving co-payments for persons who call the "Nurse First" hot line and follow the care recommendations made by the Nurse First responders
- Expansion of the disease management program
- Improve the Medicaid data management system

### **Language**

The legislature approved the following language for inclusion in HB2:

"Funding for the Director's Office includes a \$500,000 reduction in general fund money in fiscal year 2007 from savings due to activities funded in Tribal Programs to assist Indian health services in claiming additional federal pass-through Medicaid funding. The department may allocate this funding reduction among programs that administer Medicaid services when developing the 2007 biennium operating plans.

Funds in Tribal Programs may be used only to hire an FTE to work with tribes to provide technical assistance on provision of pass-through federal medicaid funding for Indian health services. The appropriation must be used to:

1. develop expertise on tribal organization and tribal funding and to provide technical assistance to state staff.; and
2. identify and resolve barriers and work on innovative programs for tribes to access federal medicaid pass-through funding for allowable costs.

The department shall submit a report regarding the use of this appropriation and progress toward these goals on July 1, 2005, and again on July 1 and November 1, 2006, to the members of the 2005 legislative joint appropriations subcommittee on health and human services."

Funding in Prescription Drug Program -- SB 324 is contingent upon passage and approval of Senate Bill No. 324 and may be used only to implement Senate Bill No. 324."